



COUNCIL AGENDA: 6-17-14  
ITEM: 4.15

## Memorandum

**TO:** HONORABLE MAYOR AND  
CITY COUNCIL

**FROM:** Toni J. Taber, CMG  
City Clerk

**SUBJECT:** SEE BELOW

**DATE:** 6-12-2014

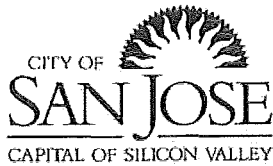
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**SUBJECT: DOWNTOWN HIGH RISE INCENTIVE PROGRAM AND  
ESTABLISHMENT OF A DOWNTOWN PARKS MAINTENANCE  
DISTRICT**

### RECOMMENDATION

As referred by the Rules and Open Government Committee on June 11, 2014 and outlined in the attached memo previously submitted by the Rules and Open Government Committee direct the City Manager to return to Council in September with a program that:

- (a) Provides a unit extension of the 2007 Parks Specific High Rise Incentive Program, to add 50 units to the maximum limits; and
- (b) Establish a Downtown Parks Maintenance District for High Rise and Mid Rise residential projects.



## Memorandum

**TO:** RULES AND OPEN  
GOVERNMENT  
COMMITTEE

**FROM:** Mayor Chuck Reed  
Councilmember Sam Liccardo

**SUBJECT:** DOWNTOWN HIGH RISE  
INCENTIVE PROGRAM &  
ESTABLISHMENT OF A  
DOWNTOWN PARKS  
MAINTENANCE  
DISTRICT

**DATE:** June 5, 2014

**APPROVED:**

*Chuck Reed*  
*Sam Liccardo PP*

**DATE:**

*06/05/14*

### RECOMMENDATION

Place an item on the June 17, 2014 City Council Agenda directing the City Manager to return to Council in September with a program that:

1. Provides a unit extension of the 2007 Parks Specific High Rise Incentive Program, to add 50 units to the maximum limit; and,
2. Establishes a Downtown Parks Maintenance District for High Rise and Mid Rise residential projects.

### BACKGROUND

#### **A. 50-Unit Extension**

In 2007, the City approved an incentive for Downtown High Rise construction by reducing the parkland in-lieu fees by 50%. Additionally, the City approved further incentives on May 15, 2012, which includes reductions and deferrals in other fees and taxes.

The 2007 and 2012 High Rise incentive programs have been a great success infusing millions of dollars in private investment into the Downtown, generating construction jobs, housing new residents, and advancing our long-held goals. The built yield totals 863 units. Over 650 units are currently under construction. There are several other high rise and mid rise development proposals that are either in negotiations, in preliminary design or in the permit process. We are

recommending that this successful program be slightly modified to capture projects that are still in the pipeline.

Our first recommendation provides for a small expansion of the number of units to allow projects in the existing pipeline to qualify for the program. Increasing the 2,500-unit maximum established under the 2007 Parks Specific High Rise Incentive Program by an additional 50 units, to a total of 2,550 units, will allow pipeline projects to complete the permitting process, resulting in an additional 1,000 units in five high rise towers.

## **B. Downtown Parks Maintenance District**

Our second recommendation proposes a new model to establish a funding mechanism to pay for operations and maintenance of major Downtown parks.

Developer fees from new housing projects have supported construction for new parks and capital improvements throughout the Downtown and surrounding neighborhoods in recent years. Under state law, however, those fees are capital-restricted. They cannot fund additional park rangers, or police officers, or augment mowing and watering schedules for maintenance staff, for example. Of course, in Downtown's major parks -- Guadalupe River Park, Cesar Chavez Park, and St. James Park-- it is those needs--addressed by people, rather than by projects--that appear most pressing.

Indeed, a May 30, 2014, a letter (Attachment 3) from a coalition of 10 parks, environmental and conservation groups called upon the City Council to sustainably increase park maintenance and operations funding in any possible future sales tax measure. While the likelihood of placing a sales tax measure on the fall ballot appears increasingly remote, we all agree that there is a critical need for improvement in safety and aesthetics of our urban parks and trails.

At the same time, there remain limited opportunities for additional capital projects or new parks Downtown, due to the geographic restrictions in space in a largely built-out city. It makes some sense to consider how we can better leverage developer contributions to more flexibly address the need to make our existing parks more attractive to residents and visitors.

Our proposal recommends one helpful step: the establishment of a Downtown Parks Maintenance District. Maintenance and Benefits Districts are not new to San Jose, as we currently boast 22 maintenance or benefit districts citywide, several of which --such as those in Evergreen, Santa Teresa and Almaden Valley--were initiated in conjunction with new development.

No reductions in the overall dollars being received by the City from developers are being proposed; indeed, the aggregate contribution from the projects' developers would exceed the current level of fees. By reducing the up-front costs of development, however, and pushing those costs out over time, we can induce a larger contribution from the project to support nearby parks. More importantly, we can also provide a reliable stream of ongoing dollars for long-underfunded operations and maintenance of our parks.

By modifying the Downtown High Rise and Mid Rise Park Fees, and by establishing a Downtown Parks Maintenance District, we can generate revenues for park capital improvements

while providing a steady stream of future revenues to sustain major Downtown parks including St. James Park, Cesar Chavez Park and Guadalupe River Park.

All developers will face a choice: either pay 100% of parkland in-lieu per existing guidelines, or enter a Downtown Parks Maintenance District program as follows:

**High Rise Program** (for the first 1,000 units for projects above 12 stories)

- Enter into a parkland agreement with the City to pay 50% of parkland fee prior to Certificate of Occupancy; which will be allocated to fund park capital improvements; and
- Agree to participate in the Downtown Parks Maintenance District that will provide ongoing operations and maintenance support for major Downtown parks, with a fee structure that will reflect a net present value of future payments that exceeds the remaining 50% of the fee owed by the developer.

**Mid Rise Program** (1000 units for projects from 6 -11 stories)

- Enter into a parkland agreement with the City to pay 75% of the parkland fee prior to Certificate of Occupancy; which will be allocated to fund park capital improvements;
- Agree to participate in the Downtown Parks Maintenance District that will provide ongoing operations and maintenance support for major Downtown parks, with a fee structure that will reflect a net present value that exceeds the remaining 25% of the fee owed by the developer.

To ensure an inclusive decision-making process, we recommend a governance model by an Advisory Board of Downtown stakeholders (including representatives of neighborhood associations, employers, the San Jose Downtown Association, SPUR, the Parks Foundation, and the Guadalupe River Park Conservancy) to provide direction and oversight in the use of funds set aside for operations and maintenance purposes.

As we encourage residential development and office tenants in the Downtown, it becomes imperative that we identify the funding needed to support future operations and maintenance of the parks, trails, and other amenities that will attract residents and businesses here. We hope this will provide an important first step in that effort.

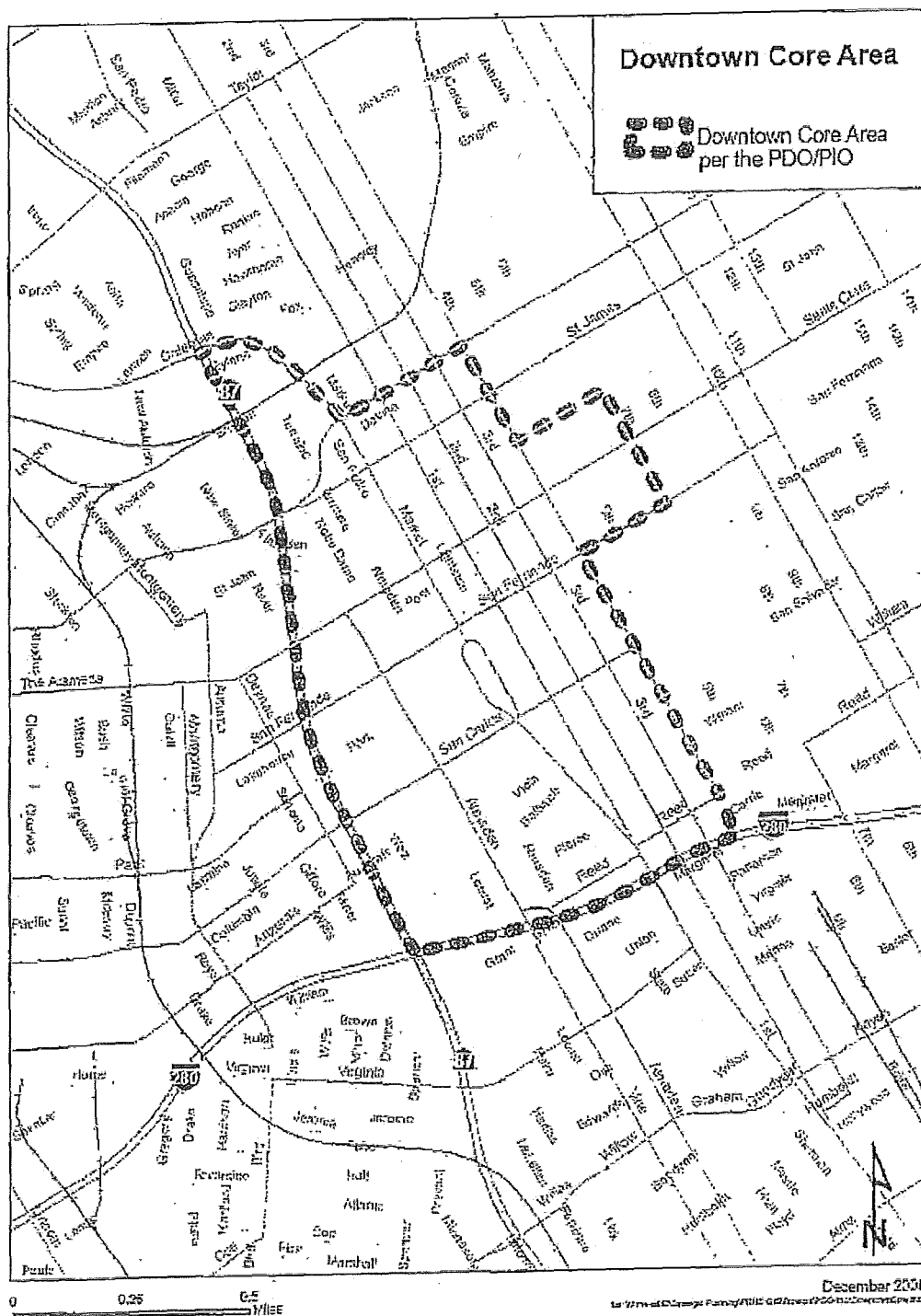
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|--------------|--|
| Attachment 1 | List of High Rise and Mid Rise Projects                                |
| Attachment 2 | Suggested Downtown Parks Maintenance District Map                      |
| Attachment 3 | Letter from parks and environmental groups pertaining to O&M for parks |

## ATTACHMENT 1

### HIGH RISE AND MID RISE PROJECTS LIST

| PROJECT NAME            | NUMBER OF UNITS | STATUS               |
|-------------------------|-----------------|----------------------|
| <b>High Rise</b>        |                 |                      |
| City Heights            | 124             | Completed            |
| Tower 88                | 197             | Completed            |
| 360 Residences          | 213             | Completed            |
| Axis                    | 329             | Completed            |
| One South Market        | 312             | Under Construction   |
| Centerra                | 347             | Under Construction   |
| Silvery Towers          | 612             | Approved Site Permit |
| Parkview Towers         | 216             | Under Review         |
| Post/San Pedro          | 182             | Completed Prelim     |
| Other High Rise         | 1000            | Future Projects      |
| <b>Mid Rise</b>         |                 |                      |
| The Pierce              | 232             | Approved Site Permit |
| Symphony                | 119             | Approved Site Permit |
| Marshall Square         | 195             | In Permit Process    |
| North San Pedro Towers  | 300             | Future Projects      |
| Other Mid Rise Projects | 154             | Future Projects      |

ATTACHMENT 2  
DOWNTOWN CORE AREA



May 30, 2014

## ATTACHMENT 3

Mayor Chuck Reed and Councilmembers  
San Jose City Hall  
200 E. Santa Clara St, 18<sup>th</sup> Fl  
San Jose, CA 95113

Re: Proposed sales tax measure

Dear Mayor Reed and Councilmembers,

We were surprised and disappointed to see that the intended uses of the proposed sales tax ballot measure weren't aligned with the priorities (enclosed) resulting from the budget workshop/game that solicited community input earlier this year.

Both increased park maintenance and additional park rangers scored higher in the exercise than many of the service priorities listed on the enclosed 2014-15 Proposed Operating Budget Sales Tax Ballot Measure Spending Priorities. Specifically, for the ½ cent sales tax, increased park maintenance was rated #1 in the online exercise, and #2 in the in-person exercise. Park rangers were also highly rated, at #5 and #4 respectively. Park maintenance and park rangers were also highly rated for the ¼ cent sales tax, at #6 for park maintenance and #4 for park rangers.

Park Rangers are a key part of the public safety infrastructure. Their cost-effective presence, particularly on foot or on bike, increases citizen confidence that their parks, trails and urban landscapes are safe places. Activation goes up and questionable and criminal behaviors go down significantly. As we have witnessed over the past several years, there are substantial costs when rangers are not part of the public safety mix.

In spite of the clear message from the community, the proposed tax measure submitted by the City Manager's office does not include any additional funding for park maintenance or park rangers. The message this sends to the community is that their input does not matter and their priorities will be ignored.

We appreciate your effort to grow the budget sustainably. However, as San Jose continues to work to attract employers and residents, quality of life is a driving factor. It is time to reinvest in

our parks. Please honor the community's interest by including park maintenance and rangers in the proposed sales tax ballot measure.

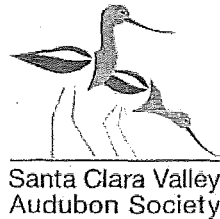
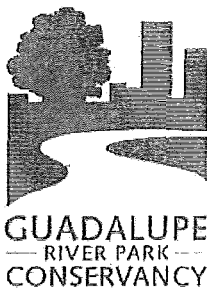
Sincerely,

*Leslee Hamilton Shani Kleinhaus Michele Beasley*

Leslee Hamilton  
Executive Director

Shani Kleinhaus  
Environmental Advocate

Michele Beasley  
Regional Director



*James P. Reber Alice Kauffman*

*Heather Lerner*

James P. Reber  
Executive Director

Alice Kauffman  
Legislative Advocate

Heather Lerner  
Executive Director





*Linda R. Ruthruff*

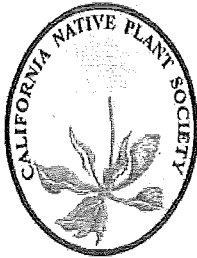
*Mike Ferreira*

*Helen Chapman*

Linda Ruthruff  
Conservation Committee Chair  
California Native Plant Society  
Santa Clara Valley Chapter

Mike Ferreira  
Conservation Chair  
Sierra Club  
Loma Prieta Chapter

Helen Chapman  
Former Chair  
San Jose Parks &  
Recreation Commission



*Darryl Ospring*

Darryl Ospring  
Coyote Creek Neighborhood Association (CCNA)  
CCNA Adopt-A-Park Coordinator for Shady Oaks Park

cc: Ed Shikada  
Julie Edmonds-Mares  
San Jose Parks & Recreation Commission

ENC (2)

# Comparison of Top Ten Items

3

\$34M

\$68M

In-person

## Rank Funding Proposal

|    |   |
|----|---|
| 1  | 11. 20 Police Community Service Officers      |
| 2  | 12. Gang Prevention                           |
| 3  | 2. Satellite & Neighborhood Community Centers |
| 4  | 20. Code Enforcement                          |
| 5  | 22. Homeless Response and Rapid Rehousing     |
| 6  | 4. Park Maintenance                           |
| 7  | 5. Restored Branch Library Hours              |
| 8  | 14. Eliminate Fire Engine Brown-Outs          |
| 9  | 19. Economic Development                      |
| 10 | 8. 40 Sworn Police                            |

## Rank Funding Proposal

|    |   |
|----|---|
| 1  | 13. Crime Prevention                          |
| 2  | 11. 20 Police Community Service Officers      |
| 3  | 12. Gang Prevention                           |
| 4  | 3. Park Rangers                               |
| 5  | 2. Satellite & Neighborhood Community Centers |
| 6  | 4. Park Maintenance                           |
| 7  | 1. Hub Community Center Hours                 |
| 8  | 5. Restored Branch Library Hours              |
| 9  | 19. Economic Development                      |
| 10 | 22. Homeless Response and Rapid Rehousing     |

## Funding Proposal

|   |        |
|---|--------|
| 11. 20 Police Community Service Officers      | Rank 1 |
| 4. Park Maintenance                           | 2      |
| 12. Gang Prevention                           | 3      |
| 3. Park Rangers                               | 4      |
| 2. Satellite & Neighborhood Community Centers | 5      |
| 20. Code Enforcement                          | 6      |
| 19. Economic Development                      | 7      |
| 1. Hub Community Center Hours                 | 8      |
| 21. Long-Range Planning                       | 9      |
| 14. Eliminate Fire Engine Brown-Outs          | 10     |

## Funding Proposal

|   |        |
|---|--------|
| 4. Park Maintenance                           | Rank 1 |
| 1. Hub Community Center Hours                 | 2      |
| 2. Satellite & Neighborhood Community Centers | 3      |
| 14. Eliminate Fire Engine Brown-Outs          | 4      |
| 3. Park Rangers                               | 5      |
| 12. Gang Prevention                           | 6      |
| 13. Crime Prevention                          | 7      |
| 7. MLK Library Services                       | 8      |
| 22. Homeless Response and Rapid Rehousing     | 9      |
| 20. Code Enforcement                          | 10     |

online

## EXHIBIT 2

### 2014-2015 Proposed Operating Budget

#### SALES TAX BALLOT MEASURE SPENDING PRIORITIES

As directed in the 2014-2015 Mayor's March Budget Message, as approved by the City Council, the Administration has developed a Sales Tax Ballot Measure Spending Priorities Plan. This is a potential spending plan that outlines priorities for using additional resources if the City Council places a sales tax measure on the November 2014 ballot and it is approved by the voters. A sales tax measure approved in November 2014 would take effect in April 2015, and the Administration would bring forward specific budget proposals during 2014-2015, accordingly.

| Service Priorities   | ½ Cent Sales Tax \$ Millions | ½ Cent Sales Tax \$ Millions |
|--|------------------------------|------------------------------|
| <b>Improve Public Safety (Target of 50%)</b>   |                              |                              |
| <b>Improve Police Response Times, Reduce Crime, and Increase Neighborhood Police Patrols</b><br>Hire 65-130 additional sworn police officers and, at the higher funding level, provide funding for additional crime prevention resources.                          | \$13.0 M*                    | \$27.0 M*                    |
| <b>Improve Response Times for Fire and Medical Emergencies</b><br>Fund Fire overtime to avoid fire station brown-outs and, at the higher funding level, front-line resources to respond to calls for service.  | \$2.5 M                      | \$5.5 M                      |
| <b>Gang Prevention</b><br>Extend the current level of support for gang prevention services through San José BEST/Safe Summer Initiative (bringing total ongoing funding to \$4.6 million).   | \$1.5 M*                     | \$1.5 M*                     |
| <b>Public Safety Sub-Total</b>   | <b>\$17.0 M</b>              | <b>\$34.0 M</b>              |
| <b>Repair and Maintain Streets (Target of 30%)</b>   |                              |                              |
| <b>Street Repair and Maintenance</b><br>Increase maintenance on major streets and, at the higher level, provide maintenance for some neighborhood streets to significantly slow the incidence of pothole formation and general pavement deterioration.             | \$10.0 M                     | \$20.0 M                     |
| <b>Expand Economic Development and Neighborhood Services (Target of 20%)</b>   |                              |                              |
| <b>Reduce Homelessness</b><br>Provide ongoing support for homeless response and rapid rehousing services   | \$3.5 M*                     | \$5.5 M*                     |
| <b>Create Jobs Through Economic Development</b><br>Expand economic development efforts to market the City, support small business, and attract private development to generate more local jobs.  | \$1.0 M                      | \$2.0 M                      |
| <b>Enhance Branch Library Hours</b><br>Increase branch library operations from 4 days to 4.5 days per week, or, at the higher funding level, to 6 days per week  | \$2.5 M                      | \$4.5 M                      |
| <b>Expand Community Centers Hours of Service</b><br>At the higher funding level, increase hub community center hours from 59 to 63 hours per week and increase hours at high-need neighborhood community centers from approximately 20 hours to 45 hours per week. | \$0 M                        | \$2.0 M                      |
| <b>Neighborhood Services and Economic Development Sub-Total</b>  | <b>\$7.0 M</b>               | <b>\$14.0 M</b>              |
| <b>TOTAL</b>   | <b>\$34.0 M</b>              | <b>\$68.0 M</b>              |

\* The Spending Priorities Plan includes the addition of sworn police officers as the top priority. However, given the current number of sworn officer vacancies, it is anticipated that the ongoing funding allocated to this use will not be expended through 2015-2016. In addition, the investments in the gang prevention program (San Jose BEST/Safe Summer Initiative Programs) and the homeless services are already recommended to be funded on a one-time basis through 2015-2016 as part of the 2014-2015 Proposed Operating Budget. *Therefore, the City Manager recommends that revenues not immediately needed in the first 15 months for these purposes be allocated for street repair and maintenance to prevent further deterioration. This could result in a one-time catch up investment of \$22-\$40 million.*